

Washington State
Department of Financial Institutions
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NEWS

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**RENTON FIRM CHARGED WITH 'FAILURE TO SUPERVISE'
\$2 MILLION IN SECURITIES SALES**

The Department of Financial Institutions has charged that Pacific West Securities of Renton and its President, Loretta Elderkin, failed to properly supervise a Pacific West securities broker who sold more than \$2 million in unsuitable securities to his customers. In a related action, the Division also charged Dorsey E. Rowan of Seattle, a registered securities salesperson and agent for Pacific West.

In the charges issued July 27, 2001, the Division stated its intent to enjoin Pacific West from further violations, suspend its brokerage license, revoke Lorretta Elderkin's securities license, impose an \$80,000 fine, and order the firm to pay restitution to injured investors. The Division intends to permanently revoke Rowan's license as a securities salesperson, impose a \$75,000 fine, and order him to also pay restitution. Pacific West has been notified of the charges and can request a hearing on the charges prior to any sanctions being imposed.

The securities Rowan sold his customers were issued by Nu West, Inc., a Bellevue firm charged in October 2000 with violating the securities anti-fraud provision by offering and selling fraudulent notes. Nu West is now in receivership and more than 250 investors, including 15 Pacific West customers, may lose up to \$50 million, according to Securities Division Director Deborah Bortner. She says Rowan started selling his customers Nu West securities shortly after he went to work for Pacific West in 1995, and that neither Nu West, nor the promissory notes they offered and sold investors, were ever registered with the Securities Division. Although Pacific West was aware of Rowan's activities, she alleges, they did not take the necessary steps to supervise Rowan's offers and sales.

"Licensed securities salespeople, and the brokers they work for, owe a duty to their customers to make sure that the securities they offer are not part of a larger scheme to defraud," Bortner said. "Investors lose millions of dollars every year in this state by buying notes from companies that don't have the ability or inclination to repay their investors."

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The Statement of Charges allege that both Rowan and Pacific West offered and sold unregistered, non-exempt securities, violated the anti-fraud provision of the Securities Act by misrepresenting the securities, failed to provide disclosure documents to investors, and made unsuitable investment recommendations to customers.

"In this case, the promise of high returns with little or no risk was a warning sign that something was not right," says Bortner. "Investors, especially in the current market, need to be cautious about promises of high returns with low risk," she advises. "Investors need to do their homework before investing in any program promising high returns and low risk; the conflicting promises usually add up to fraud."

Bortner notes that although the vast majority of licensed investment professionals and securities firms are honest, investors should always be vigilant in checking out their brokers and unusual investments they are offered. If it's not listed on one of the national exchanges or the NASDAQ market, spend some additional time researching it, including making a call to the Department of Financial Institutions Securities Division. Washington's Securities Division may be contacted by calling 1-800-372-8303 (toll free in Washington) or you can visit them on the Web at <http://www.dfi.wa.gov>. Investors can find out if their broker has any disciplinary history or if other investors have complained about the securities offered. Copies of the Statement of Charges in the Rowan and Pacific West cases are available on the Securities Division Web site at <http://www.wa.gov/dfi/securities>.

LINKS TO RELATED SECURITIES DIVISION ORDERS
[SDO-011-01](#); [SDO-005-01](#), AND [SDO-87-00](#)